

**From:** Bob Heath  
**To:** Microsoft ATR  
**Date:** 1/16/02 10:57am  
**Subject:** Microsoft Settlement

To: The Honorable Judge Kollar-Kotally

Subject: Some History Worth Reading

The court proceedings against Microsoft should continue.

I worked over 30 years for IBM, much of which was with their Software business. We felt

much of the effects of the Government's IBM Antitrust Suit. Everyone thinks the Justice

Department lost the IBM Suit, but their oversight caused an entire new industry to be created.

Did you know that Microsoft, Compaq, Dell, Internet (as we know it today) and the

Software Industry would never exist if it had not been for the antitrust laws, the IBM

anti-trust case and the government's oversight. Microsoft should have the same oversight.

Before 1970 IBM gave all Software away free when you purchased IBM's Hardware. The

Antitrust Suit caused IBM to unbundle software from the hardware and to show a

normal (30%) profit in their business case for each individual software product announced

(no ?loss leaders? were allowed). This started the independent software business.

As part of this procedure, IBM also did not acquire any other company's software on an

exclusive basis. When IBM developed the Personal Computer in 1979, the PC Division

could not buy Microsoft's Operating System exclusively.

The IBM PC became a huge success, and within 3 years IBM had the dominate share of this

market. But because IBM did not have an exclusive agreement from Microsoft, Compaq in

1982 (and later many other clone companies) was able to get the Operating System from Microsoft and clone the IBM system.

From this base:

- Compaq became the leader in the PC business,
- None of IBM's competitors wanted to use IBM's proprietary networking software (SNA) and Internet took its place,
- The price of PCs dropped significantly, and
- An entirely new software and hardware business was created.

It would not have happened without IBM's Antitrust Case.

Like IBM, Microsoft has grown to be a monopoly in the PC Operating System business. They should also be constrained like IBM was:

- Each product should be unbundled to the lowest level of competition.
- All products should be announced showing a normal profit business case.
- Software products should not be purchased from others on an exclusive basis.
- All proprietary software interfaces should be opened up.

This type of settlement would also create a new competitive environment and many new and creative companies.

Not unbundling Microsoft will allow them to continue to release non profitable software and to bundle products into the operating system that could not otherwise survive in the market. This is competitively unfair and prevents many new and innovative ideas from reaching the market.

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